

REPORT BY THE
AUDITOR GENERAL
OF CALIFORNIA

**ALAMEDA-CONTRA COSTA TRANSIT DISTRICT:
FOURTH QUARTERLY MONITORING REPORT**

REPORT BY THE
OFFICE OF THE AUDITOR GENERAL

P-861.4

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FOURTH QUARTERLY MONITORING REPORT

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Acting Auditor General

October 4, 1989

P-861.4

Honorable Elihu M. Harris, Chairman
Members, Joint Legislative
Audit Committee
State Capitol, Room 2148
Sacramento, California 95814

Dear Mr. Chairman and Members:

The Office of the Auditor General presents its fourth quarterly monitoring report concerning the Alameda-Contra Costa Transit District's progress in implementing the recommendations from the Office of the Auditor General's report P-767 entitled "The Alameda-Contra Costa Transit District's Financial and Administrative Controls Need Improvement." The district has improved aspects of its budgeting process, and in this report we describe the district's operating budget for fiscal year 1989-90.

Respectfully submitted,

A handwritten signature in cursive script, reading "Kurt R. Sjoberg".

KURT R. SJOBERG
Acting Auditor General

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SUMMARY

RESULTS IN BRIEF

Since the release of our initial March 1988 report about the Alameda-Contra Costa Transit District's (district) financial and administrative controls, the district has taken steps to improve its operations. During our review for this report (our fourth monitoring report of the district), we noted the following conditions:

- The district used the same improved process to develop its operating budget for fiscal year 1989-90 as it used to develop its operating budget for fiscal year 1988-89;
- The district has developed a balanced budget with operating revenues and subsidies of \$124.8 million equal to operating expenses for fiscal year 1989-90. However, as of September 15, 1989, the district and its union employees did not have a contract. As a result, some of the district's budget projections might change after the contract is signed;
- The district has improved the accuracy of its budget variance reports; and
- A director who owes the district for travel and personal expense overpayments has been repaying the district.

BACKGROUND

As required by Chapter 1147, Statutes of 1988, this is the fourth quarterly monitoring report on the actions that the district has taken to correct deficiencies noted in the Office of the Auditor General's report entitled "The Alameda-Contra Costa Transit District's Financial and Administrative Controls Need Improvement," Report P-767, March 1988.

The district operates over 800 buses that, in fiscal year 1988-89, provided more than 55 million passenger trips in Alameda and Contra Costa counties and, to a lesser extent, to San Francisco and San Mateo counties. The district is governed by an elected board of seven directors. The board of directors appoints a general manager, who is responsible for the operations of the district.

During our March 1988 review, we found that the district had several weaknesses in its operations. For example, the district had insufficient financial control over its operations. In fiscal year 1984-85 and fiscal year 1986-87, the district's expenses exceeded its revenues and subsidies, and as a result, the district incurred operating deficits. In addition, the district had weak controls over the travel and personal expenses of its board of directors and officers, which resulted in some overpayments.

PRINCIPAL FINDINGS

The District Has Acted on Previous Budgeting Recommendations and Recovered Overpayments

The district used the same improved process to develop its operating budget for fiscal year 1989-90 as it used to develop its budget for fiscal year 1988-89. In addition, the district's operating budget for fiscal year 1989-90 projects that the district's revenues and subsidies of \$124.8 million will equal the district's expenses, resulting in a balanced budget. The district projects that its revenues for fiscal year 1989-90 will be approximately \$38.0 million, that is, \$3.4 million or 8.2 percent lower than projections for fiscal year 1988-89. However, the district's subsidies are projected to increase to \$86.8 million in fiscal year 1989-90. The increase is \$9.5 million or 12.2 percent higher than subsidies for fiscal year 1988-89. While the district expects that its subsidies will increase, the district also expects that its operating expenses will be

\$122.7 million for fiscal year 1989-90, an increase of \$2.9 million or 2.4 percent more than the estimated operating expenses for fiscal year 1988-89. Furthermore, the district has projected that it will have interest expenses of \$2.1 million in fiscal year 1989-90, an increase of \$0.7 million or 48.9 percent more than the previous year's budgeted interest expenses. Nevertheless, the district's total projected expenses equal its projected revenues and subsidies, resulting in a balanced budget. In contrast, the district projected an operating deficit in fiscal year 1988-89 of \$2.5 million. As of September 15, 1989, the district and its union employees did not have a contract. As a result, some of the district's budget projections might change after the contract is signed.

Finally, the district has addressed our recommendations from previous monitoring reports by improving the accuracy of its budget variance reporting system and ensuring that a director who owes the district for travel and personal expense overpayments is repaying the district.

AGENCY COMMENTS

The Alameda-Contra Costa Transit District agrees with the content of our report.

INTRODUCTION

As required by Chapter 1147, Statutes of 1988, this is the fourth quarterly monitoring report on the actions that the Alameda-Contra Costa Transit District (district) has taken to correct deficiencies noted in the Office of the Auditor General's report entitled "The Alameda-Contra Costa Transit District's Financial and Administrative Controls Need Improvement," Report P-767, March 1988.

The district operates over 800 buses that, in fiscal year 1988-89, provided more than 55 million passenger trips in Alameda and Contra Costa counties and, to a lesser extent, San Francisco and San Mateo counties. The district, which has its headquarters in Oakland, has over 2,000 employees. The district's operating budget for fiscal year 1989-90 shows projected revenues and subsidies of \$124.8 million and projected expenses of \$124.8 million, yielding a balanced budget. (Appendix A shows a comparison between the district's operating budget for fiscal year 1988-89 and the district's operating budget for fiscal year 1989-90.)¹

¹In January 1989, the district's general manager submitted to the board of directors a revised version of the original operating budget for fiscal year 1988-89, which had been modified based on changes in the district's revenues and expenses during the first five months of the fiscal year.

As specified in the California Public Utilities Code, the district is governed by a board of directors that supervises and regulates every transit facility owned and operated by the district. The board of directors is also responsible for administering the district's affairs and approving the district's budget. The voters of Alameda and Contra Costa counties elect the board's seven directors, who serve four-year terms. The board of directors appoints the officers of the district: a general manager, who is responsible for the operations of the district; a secretary; and an attorney.

During our initial review, the results of which we released in March 1988, we found that the district had several weaknesses in its operations. For example, for fiscal years 1984-85 and 1986-87, the district's expenses had exceeded its revenues and subsidies, and as a result, the district incurred operating deficits. We found that the district had insufficient controls over its financial operations, with weaknesses in its budgeting process contributing to its financial difficulties. For instance, we found that the district generally overestimated its revenues and always underestimated its expenses. Furthermore, the district's monthly budget variance reports contained errors and were not submitted promptly to the board of directors. Moreover, the district had weak controls over the travel and personal expenses of its board of directors and officers, which resulted in some overpayments.

To ensure that the district resolved its fiscal problems, we recommended that the district develop well-documented and reliable budget estimates; develop and promptly submit to the board of directors accurate budget variance reports; and balance its budget by increasing its revenues, decreasing its expenses, or both. We also recommended that the district recover overpayments made to district directors.

As a result of our review, the Legislature enacted Chapter 1147, Statutes of 1988, requiring the Office of the Auditor General to monitor the progress of the district in correcting the deficiencies noted in our March 1988 report. The Office of the Auditor General is required to issue quarterly reports through July 1, 1990.

The first quarterly monitoring report, entitled "Alameda-Contra Costa Transit District: First Quarterly Monitoring Report," Report P-861.1, was issued January 5, 1989. In this report, we described the district's efforts towards implementing the recommendations from our March 1988 report. For example, we noted that the district had taken steps to improve its operations but that it still had a budget deficit. In addition, we noted that the district had not recovered overpayments made to one director.

In our second quarterly monitoring report, entitled "Alameda-Contra Costa Transit District: Second Quarterly Monitoring Report," Report P-861.2, issued April 6, 1989, we noted that the district's general manager had, in January 1989, revised the district's budget for

fiscal year 1988-89, projecting the district would have a \$2.5 million deficit. We also noted that the district's budget for fiscal year 1988-89 was better documented and contained what proved to be more reliable estimates of revenues, subsidies, and expenses. For example, in the first 10 months of fiscal year 1988-89, the district's revenues and subsidies were under one percent higher than projected, and its expenses were under one percent over budget. Variances in individual line items were due to factors such as the difficulty in projecting when employees would take time off, higher costs associated with health and welfare plan renewals, and changes in the cost of fuel. (Appendix B shows a comparison of the district's actual revenues, subsidies, and expenses with the budget for the first 11 months of fiscal year 1988-89.) Finally, we noted that while the district had sent a second bill to the director who received overpayments, the director had not yet repaid the district.

In our previous quarterly monitoring report, entitled "Alameda-Contra Costa Transit District: Third Quarterly Monitoring Report," Report P-861.3, issued July 7, 1989, we noted that, while the district had improved the accuracy of its budget projections, its budget variance reports were not always accurate. We also reported that the director who owed the district for travel and personal expense overpayments had agreed to pay the district. The report also contained a review of the district's financial condition for the past five fiscal years. We noted that the district had operating deficits in three of the last five fiscal years, that its expenses have increased at a

higher rate than its revenues and subsidies, and that its working capital and cash and investments have generally decreased.

SCOPE AND METHODOLOGY

The purpose of this review was to monitor the progress the district has made in implementing the recommendations of our initial report and to follow up on those problems we identified in our previous monitoring reports.

In this report, we continued our review of how the district prepares and monitors its operating budget. Since, in our previous report, we had found the district's process for preparing its budget for fiscal year 1988-89 satisfactory, we reviewed the preparation of its budget for fiscal year 1989-90 to determine whether the district had used a similar budgeting process. We will monitor the district's implementation of its fiscal year 1989-90 budget in future monitoring reports. We did not review the district's preparation of its capital budget.

Because we found problems with the district's budget variance reporting system in our previous monitoring report, we tested the district's budget variance report for June 1989, prepared by the district's budget office, to determine whether the report accurately reflected expense information provided by the accounting department and correctly showed budget variances. We also determined whether the

district submitted the budget variance reports issued since our last report to the board of directors promptly. We did not, however, verify the accuracy of the accounting department's development of expense data used in the preparation of the budget variance reports, and we did not test the adequacy of the accounting department's controls over its automated data processing system.

During this review, we also monitored the progress the district has made in the collection of overpayments from the director of Ward V. We reviewed district accounting records to determine whether the director was repaying the district.

AUDIT RESULTS

THE ALAMEDA-CONTRA COSTA TRANSIT DISTRICT HAS ACTED ON PREVIOUS BUDGETING RECOMMENDATIONS AND RECOVERED OVERPAYMENTS

The Alameda-Contra Costa Transit District (district) has acted on previous budget recommendations. Specifically, the district used the same improved process to develop its budget for fiscal year 1989-90 as it used to develop its budget for fiscal year 1988-89. In addition, the district's operating budget for fiscal year 1989-90 projects that the district's revenues and subsidies of \$124.8 million will equal the district's expenses, resulting in a balanced budget. The district projects that its revenues for fiscal year 1989-90 will be approximately \$38.0 million, that is, \$3.4 million or 8.2 percent lower than in fiscal year 1988-89. However, the district's subsidies in fiscal year 1989-90 are projected to be \$86.8 million, an increase of \$9.5 million or 12.2 percent more than the estimate for fiscal year 1988-89. While the district expects that its subsidies will increase, the district also expects that its operating expenses will be \$122.7 million for fiscal year 1989-90, an increase of \$2.9 million or 2.4 percent more than the projected operating expenses for fiscal year 1988-89. Furthermore, the district has projected that it will have interest expenses of \$2.1 million in fiscal year 1989-90, an increase of \$0.7 million or 48.9 percent more than the previous year's projected interest expenses. Nevertheless, the district's total projected expenses equal its projected revenues and subsidies, resulting in a balanced budget. In contrast, the district projected an

operating deficit in fiscal year 1988-89 of \$2.5 million. As of September 15, 1989, the district and its union employees did not have a contract. As a result, some of the district's budget projections might change after the contract is signed. Finally, the district has addressed our recommendations from previous monitoring reports by improving the accuracy of its budget variance reports and ensuring that a director who owes the district for travel and personal expense overpayments is repaying the district.

THE DISTRICT CONTINUES TO USE
AN IMPROVED BUDGETING PROCESS

In our second quarterly monitoring report, we found that the district developed a budget for fiscal year 1988-89 that was better documented and that contained estimates based on reasonable assumptions. For this report, we reviewed the district's process for the preparation of its budget for fiscal year 1989-90 and determined that it was essentially the same process used for developing the budget for fiscal year 1988-89.

THE DISTRICT HAS DEVELOPED
A BALANCED BUDGET

In our March 1988 report, we recommended that the district develop a balanced or surplus budget. For fiscal year 1989-90, the district has developed a balanced budget in which the district's revenues and subsidies are projected to equal its expenses. Revenues

include fares collected from passengers (farebox revenue), advertising revenues, and interest income. Subsidies are funds provided by federal, state, and local governmental agencies and include the district's share of property and sales taxes. Expenses are the costs of operating the district and include items such as salaries and wages, fuel, and interest expenses. The following table compares the district's revenues, subsidies, and expenses budgeted for fiscal year 1988-89 with those budgeted for fiscal year 1989-90.

TABLE 1
COMPARISON OF THE
ALAMEDA-CONTRA COSTA TRANSIT DISTRICT'S BUDGETS
FOR FISCAL YEARS 1988-89 AND 1989-90
(UNAUDITED)

	<u>Fiscal Year</u>		<u>Dollar</u>	<u>Percent</u>
	<u>1988-89</u>	<u>1989-90</u>	<u>Change</u>	<u>Change</u>
Revenues	\$ 41,363,937	\$ 37,981,948	\$(3,381,989)	(8.2)%
Subsidies	<u>77,373,428</u>	<u>86,828,805</u>	<u>9,455,377</u>	12.2
Total Operating Revenues and Subsidies	<u>118,737,365</u>	<u>124,810,753</u>	<u>\$ 6,073,388</u>	5.1
Operating Expenses	119,767,315	122,673,535	\$ 2,906,220	2.4
Interest Expenses	<u>1,434,993</u>	<u>2,137,218</u>	<u>702,225</u>	48.9
Total Operating and Interest Expenses	<u>121,202,308</u>	<u>124,810,753</u>	<u>\$ 3,608,445</u>	2.9
Surplus (Deficit)	<u>\$ (2,464,943)</u>	<u>\$ 0</u>		

Source: Alameda-Contra Costa Transit District, Budget for Fiscal Year 1989-90.

As Table 1 shows, the district's revenues are projected to total \$38.0 million in fiscal year 1989-90. This revenue figure shows a decrease of \$3.4 million or 8.2 percent when compared with the district's budgeted revenues in fiscal year 1988-89. According to the budget, the majority of the decrease is due to the loss of a contract in January 1989 to provide express bus services to the San Francisco Bay Area Rapid Transit District. The district received \$3.7 million from this contract in fiscal year 1988-89 and \$7.7 million in fiscal year 1987-88.

According to the district's budget for fiscal year 1989-90, the district expects that its revenues from passenger fares, \$29.3 million, will be the same in fiscal year 1989-90 as they were in fiscal year 1988-89. Based on the trends of passenger fares in the last six months of fiscal year 1988-89, this appears to be a reasonable assumption. The budget for fiscal year 1989-90 does not show any fare increases.

Nevertheless, in our previous monitoring report, we noted that the district's projected revenues from passenger fares have decreased as a percentage of all income from revenues and subsidies, declining from 31 percent in fiscal year 1984-85 to 25 percent in 1988-89. In fiscal year 1989-90, the revenues from passenger fares are projected to decline to 23 percent of all district income. The district has a stated goal of increasing revenues from passenger fares through increased "ridership," that is, increasing the number of passengers

using district buses. The district plans to implement a "Comprehensive Service Plan" that will, over the next five years, restructure the district's bus routes. The district hopes that the plan will address the needs of current passengers by reducing waiting and travel time and that the plan will also attract new passengers.

Although the district expects a decrease in revenues, it does expect an increase in subsidies. It estimates that, as shown on Table 1, it will receive \$86.8 million in subsidies in fiscal year 1989-90. This subsidy figure is an increase of \$9.5 million or 12.2 percent more than the subsidies the district estimates for fiscal year 1988-89. According to the budget, the majority of the increase in subsidies comes from growth in property and sales tax revenues. For fiscal year 1989-90, the district projects that its income from its share of property tax will increase \$5.3 million or 26.1 percent compared with the property tax revenues it projected in fiscal year 1988-89. According to the district, the increase in the number of real-estate transfers has caused property taxes to increase because of the adjustments in the value of assessed property. Income from sales tax is projected to increase \$3.9 million or 9 percent more than estimates of sales tax income from fiscal year 1988-89. The estimation of property and sales taxes is based on projections provided by the Metropolitan Transportation Commission, which is the local transportation planning agency for the district. The district's projections of its subsidies appear reasonable.

As Table 1 shows, the district's operating expenses for fiscal year 1989-90 are projected to increase \$2.9 million or 2.4 percent more than the projected operating expenses from fiscal year 1988-89. Most of the increase is in two areas: fuel and oil price increases and additional service expenses, such as the cost of a contract for a third party administrator for the district's workers' compensation plan. In another area of its expenses for fiscal year 1989-90, the district anticipates that its salaries and wages will decrease 1.4 percent when compared with the estimated expense for fiscal year 1988-89. The decrease is due, in part, to an anticipated decrease in the number of employees; the budget shows 2,128 authorized positions for fiscal year 1988-89 compared with 2,041 positions for fiscal year 1989-90. Based on our review of how the district prepared its budget for fiscal year 1989-90, we determined that the district's assumptions are documented and appear to be reasonable.

The district is projecting that it will have \$2.1 million in interest expenses in fiscal year 1989-90, an increase in interest expenses of \$0.7 million or 48.9 percent more than the projected interest expenses for fiscal year 1988-89. The increase in the amount of interest expenses is due, in part, to the district's plan to use different methods to finance debt, such as using revenue anticipation notes and certificates of participation to help with the district's cash flow and capital improvement plans. The increase in interest expenses results, in part, from the cost of repaying these notes. In May 1989, the district issued a request for proposals for the services

of a financial advisor and underwriter to help implement the plan, and in June 1989, the district announced that it had selected two firms.

As of September 15, 1989, the district and its more than 1,700 union workers did not have a new three-year contract. As a result, some of the district's budget projections might change after a new contract is signed. According to the district's chief financial officer, any costs incurred as a result of a contract settlement will be offset by cost savings obtained from changes in union work rules.

THE DISTRICT HAS IMPROVED ITS BUDGET VARIANCE REPORTS

The district has two types of budget variance reports. One type of report shows actual expenses compared with the budget for the whole district and is prepared by the accounting department as part of the district's monthly financial statements. This type of report is sent to the district's board of directors. The district's budget office prepares the second type of variance report, which compares the actual expenses to the budget for each of the district's departments and units and is based on actual expense data provided by the accounting department. These reports are sent to each of the district's departments and are intended to be used by department and unit managers to monitor expenses and to track budget performance.

In our previous monitoring report, we reviewed the district's variance reports prepared by the district's budget office and determined that the reports were not always accurate. We obtained expense information generated as part of the district's accounting records for the district's departments and units for December 1988 and March 1989, and we compared the expenses reported by the accounting department with the budget office's variance reports for each department and unit. We found some errors in the district's December report and numerous errors in the March report. Several of the errors significantly changed the calculation of budget variances. Based on our review, the district stated that it planned to implement a system of reviews that would improve report accuracy. The district's budget officer now reviews the budget variance reports before the reports are distributed. We tested the budget variance report for June 1989 developed by the budget office and found the report to be generally accurate in showing expense data and budget variances.

We also reviewed the districtwide variance reports prepared monthly by the district's accounting staff to determine whether the variance reports were being sent to the board of directors promptly. We noted in our previous monitoring report that, since September 1988, it appears that the board had been receiving this information promptly, usually three weeks after the end of the previous month. However, as of August 31, 1989, the district had not submitted the June 1989 budget variance report developed by the accounting department to the board of directors. According to the district's chief financial officer, the

variance report was late because of the efforts needed to complete the budget for fiscal year 1989-90 and the time necessary to "close the books" at the end of the fiscal year on June 30. We plan to review the promptness of the district's distribution of budget variance reports in our next monitoring report.

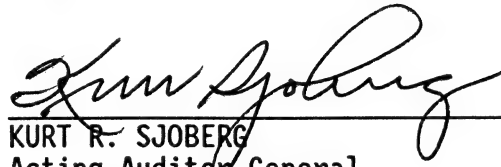
**A DIRECTOR IS REPAYING TRAVEL
AND PERSONAL EXPENSE OVERPAYMENTS**

In our March 1988 report, we reported that the district had weak controls over the travel and personal expenses of its board of directors and officers, which resulted in some overpayments. As we stated in previous monitoring reports, the district has revised its rules governing travel and personal expenses and is in substantial compliance with those rules.

As we reported in our first monitoring report, the district billed each director who received an overpayment and all but one director had repaid the district. As a result of our first quarterly monitoring report, the district sent the director a second bill. On May 9, 1989, the director requested that, effective May 1989, the district withhold her meeting compensation payments for each month until the \$2,350.28 is repaid. As of August 31, 1989, the director had repaid \$1,585 and still owed \$765.28.

We conducted this review under the authority vested in the auditor general by Section 10500 et seq. of the California Government Code and according to generally accepted governmental auditing standards. We limited our review to those areas specified in the audit scope section of this report.

Respectfully submitted,


KURT R. SJOBERG
Acting Auditor General

Date: October 2, 1989

Staff: Samuel D. Cochran, Audit Manager
Clifton John Curry

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
COMPARISON OF THE OPERATING BUDGET
FOR FISCAL YEAR 1988-89
WITH THE BUDGET FOR FISCAL YEAR 1989-90

	<u>Revised 1988-89 Budget</u>	<u>Fiscal Year 1989-90 Budget</u>	<u>Dollar Change</u>	<u>Percent Change</u>
<u>REVENUES</u>				
Farebox	\$ 29,323,301	\$ 29,323,301	\$ 0	0.0%
BART transfers	6,154,800	6,255,618	100,818	1.6
Contract service	3,736,947	0	(3,736,947)	
Advertising	580,000	609,000	29,000	5.0
Interest income	801,324	1,266,667	465,343	58.1
Other income	<u>767,565</u>	<u>527,362</u>	<u>(240,203)</u>	<u>(31.3)</u>
Total Revenues	<u>41,363,937</u>	<u>37,981,948</u>	<u>(3,381,989)</u>	<u>(8.2)</u>
<u>SUBSIDIES</u>				
Property taxes	20,247,000	25,539,603	5,292,603	26.1
State Transit Assistance	113,158	361,078	247,920	219.1
Sales tax (AB 1107)	16,875,000	18,040,418	1,165,418	6.9
Sales tax (Transportation Development Act)	26,867,270	29,584,769	2,717,499	10.1
Federal Operating Assistance Section 9	6,827,002	6,827,626	624	.0
Federal Operating Assistance Section 8	159,998	64,000	(95,998)	(60.0)
Measure B	<u>6,284,000</u>	<u>6,411,311</u>	<u>127,311</u>	<u>2.0</u>
Total Subsidies	<u>77,373,428</u>	<u>86,828,805</u>	<u>9,455,377</u>	<u>12.2</u>
Total Revenues and Subsidies	<u>118,737,365</u>	<u>124,810,753</u>	<u>6,073,388</u>	<u>5.1</u>
<u>EXPENSES</u>				
Salaries and wages	61,480,721	60,594,032	(886,689)	(1.4)
Fringe benefits	31,795,392	31,957,503	162,111	0.5
Services	7,344,859	8,613,725	1,268,866	17.3
Fuel and oil	3,573,895	4,923,558	1,349,663	37.8
Other materials and supplies	8,077,106	8,418,094	340,988	4.2
Insurance	3,711,687	3,670,000	(41,687)	(1.1)
Leases and rentals	599,356	635,944	36,588	6.1
Other expenses	<u>3,184,299</u>	<u>3,860,679</u>	<u>676,380</u>	<u>21.2</u>
Total Operating Expenses	<u>119,767,315</u>	<u>122,673,535</u>	<u>2,906,220</u>	<u>2.4</u>
Interest Expenses	<u>1,434,993</u>	<u>2,137,218</u>	<u>702,225</u>	<u>48.9</u>
Total Expenses	<u>121,202,308</u>	<u>124,810,753</u>	<u>3,608,445</u>	<u>3.0</u>
Net Surplus (Deficit)	<u>\$ (2,464,943)</u>	<u>\$ 0</u>		

Source: Alameda-Contra Costa Transit District, Budget for Fiscal Year 1989-90.

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
COMPARISON OF ACTUAL REVENUES, SUBSIDIES,
AND EXPENSES WITH THE BUDGET FOR THE
FIRST ELEVEN MONTHS OF FISCAL YEAR 1988-89
(UNAUDITED)

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under) Budget</u>	<u>Percent Variance</u>
<u>REVENUES</u>				
Farebox	\$ 27,462,621	\$ 26,811,677	\$ 650,944	2.42%
Other transfer fares	37,130	87,298	(50,168)	(57.46)
BART transfers	5,641,900	5,643,725	(1,825)	(.03)
Contract service	3,730,627	3,762,811	(32,184)	(.85)
Advertising	539,669	531,266	8,403	1.58
Interest income	1,058,695	740,766	317,929	42.91
Other income	<u>257,054</u>	<u>258,208</u>	<u>(1,154)</u>	<u>(.44)</u>
Total Revenues	<u>38,727,696</u>	<u>37,835,751</u>	<u>891,945</u>	2.35
<u>SUBSIDIES</u>				
Property taxes	18,559,750	18,559,750	0	.00
State Transit Assistance	104,467	99,270	5,197	5.23
State Transit Assistance demonstration projects	285,671	285,671	0	.00
Sales tax (AB 1107)	15,468,750	15,468,750	0	.00
Sales tax (Transportation Development Act)	24,628,329	24,628,329	0	.00
Federal Operating Assistance Section 9	6,258,450	6,258,398	52	.00
Federal Operating Assistance Section 8	146,663	146,663	0	.00
Measure B	<u>5,508,250</u>	<u>5,508,250</u>	<u>0</u>	<u>.00</u>
Total Subsidies	<u>70,960,330</u>	<u>70,955,081</u>	<u>5,249</u>	.00
Total Revenues and Subsidies	<u>109,688,026</u>	<u>108,790,832</u>	<u>897,194</u>	.82
<u>EXPENSES</u>				
Operator wages	33,704,053	33,607,281	96,772	.28
Other wages	22,660,881	22,729,773	(68,892)	(.30)
Fringe benefits	30,588,785	29,743,292	845,493	2.84
Services	5,494,294	6,365,883	(871,589)	(13.69)
Fuel and oil	3,482,484	3,236,791	245,693	7.59
Other materials and supplies	7,624,100	7,421,239	202,861	2.73
Insurance	3,198,533	3,387,738	(189,205)	(5.58)
Leases and rentals	512,977	502,197	10,780	2.14
Other expenses	3,340,133	2,844,915	495,218	17.40
Interest expenses	<u>1,342,800</u>	<u>1,315,441</u>	<u>27,359</u>	<u>2.07</u>
Total Expenses	<u>111,949,040</u>	<u>111,154,550</u>	<u>794,490</u>	.71
Surplus (Deficit)	<u>\$ (2,261,014)</u>	<u>\$ (2,363,718)</u>	<u>\$ 102,704</u>	4.34

Source: Alameda-Contra Costa Transit District, Financial Statement for the eleven months ended May 31, 1989.

JAMES L. O'SULLIVAN
General Manager

September 28, 1989

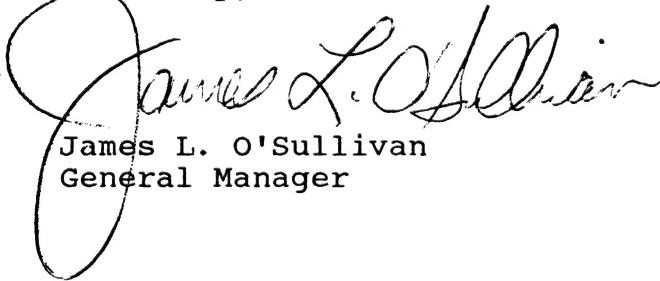
Mr. Kurt R. Sjoberg
Acting Auditor General
Office of the Auditor General
660 "J" Street, Suite 300
Sacramento, California 95814

Dear Mr. Sjoberg:

Thank you for allowing us to comment on your fourth monitoring report of the Alameda-Contra Costa Transit District (District). We are pleased that the Office of the Auditor General has recognized that the District has continued to improve its administrative and financial operations by implementing the recommendations of the Auditor General.

The District will continue to strive to improve its operations and to improve essential transportation services for the people of the East Bay.

Sincerely,

A large, stylized handwritten signature in dark ink, appearing to read "James L. O'Sullivan". The signature is written over the printed name and title of the General Manager.

James L. O'Sullivan
General Manager

JLO:jmj

cc: Members of the Legislature
Office of the Governor
Office of the Lieutenant Governor
State Controller
Legislative Analyst
Assembly Office of Research
Senate Office of Research
Assembly Majority/Minority Consultants
Senate Majority/Minority Consultants
Capitol Press Corps